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DRAFT REPORT OF THE STANDING COMMITTEE ON ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES ON ITS THIRD SESSION

Rapporteur: Mr. M. Nishioka (Japan)

INTRODUCTION AND ITEMS 3, 4 AND 5

Speakers:

Chairman
Officer-in-charge of UNCTAD Secretariat
Japan
China
France (for European Union)
FAO
Colombia
Islamic Republic of Iran

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 30 June 1995** at the latest to:

The UNCTAD Editorial Section
Room E.8104
Fax No. 907 0056
Tel. No. 907 5656 or 5655

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INTRODUCTION

1. The Standing Committee on Economic Cooperation among Developing Countries held its third session at the Palais des Nations, Geneva, from 19 to 23 June 1995. In the course of its session, it held ... formal meetings and ... informal meetings.

Introductory statements

2. The **Chairman** said that there was currently a strong revival of interest in ECDC at a time of globalization and liberalization, and "open and flexible ECDC" represented a suitable strategy of development and global participation for developing countries. In dealing with the issues before it, the Committee should develop concrete actions and programmes on monetary, financial and investment cooperation, as well as on the question of "regular consultations".

3. The outcome of the Standing Committee's work would become an important contribution to UNCTAD IX, as well as to the forthcoming Working Group to be convened later in the summer in New York pursuant to General Assembly resolution 49/96. The Committee was mandated to review ECDC achievements since Cartagena, as well as to lay the foundations for future work on ECDC, and in that connection he pointed to the need for a constructive and substantive discussion on the role of ECDC in the international cooperation agenda.

4. Finally, he highlighted the importance of UNCTAD as the only intergovernmental organization with a specific and explicit mandate and machinery for ECDC and, by virtue of a General Assembly resolution, the focal point for ECDC in the United Nations system. The future work on ECDC and that of the Standing Committee was therefore of critical importance. While ECDC was cross-sectoral in nature, he feared that the division of work on ECDC into various sectoral activities would make it the concern of many but the work of none.

5. The **Officer-in-charge of UNCTAD** said that, since the first session of the Standing Committee, the interest of developing countries in ECDC had continued unabated, while the industrialized countries and their institutions had continued to support ECDC efforts. Such efforts faced opportunities and challenges in the present context of globalization and liberalization. The response of developing countries had been an outward-looking and flexible approach to ECDC. As globalization and liberalization were particularly evident in the fields of money, finance and investment, it was highly appropriate to review the progress of ECDC

efforts in these areas. It was also very relevant to examine enterprise cooperation among developing countries.

6. One major impediment to South-South trade that could be eliminated concerned trade finance and guarantees, the existing schemes for which were not adequate. There was a particular scarcity of pre-shipment credits, long-term finance and guarantees, and payments and clearing arrangements covered only a small portion of the eligible trade. There was a lack of regulatory harmonization and exchange of information on portfolio investments, and in most integration groupings monetary harmonization was only nascent. Just as much needed to be done in respect of enterprise cooperation.

7. In the face of these challenges, the Standing Committee might wish to give sharper focus to its work on monetary, financial, investment and enterprise cooperation. For example, UNCTAD could work jointly with regional development banks on trade finance, explore ways of multilateralizing bilateral payments agreements, and propose means of financial harmonization and regulatory cooperation among developing countries interested in capital market cooperation. Resources would also be needed to expand technical assistance and field work.

8. The increasing importance of ECDC in the context of globalization and liberalization was further emphasized by two developments: the proposal of the Group of 77 to convene a United Nations Conference on South-South Cooperation, and the conclusion of the Uruguay Round. Regarding the latter, questions arose as to the compatibility of some regional initiatives with the outcome of the Round. Similarly, there were areas in agriculture and the food trade that had to be explored. Finally, there was the question of the extent to which developing countries would be able to act as a group in future negotiations.

9. Bearing in mind the scarcity of resources and the mandate given to UNCTAD by the General Assembly to serve as the focal point for ECDC within the United Nations system, the UNCTAD secretariat had proposed possible future orientations for the ECDC work programme which fitted the trends of the time and avoided overlapping with other organizations. Future work on ECDC could build on UNCTAD's specific advantages, such as its global and interregional viewpoint, its experience in trade, monetary, financial and investment issues, its role in the exchange of comparative experiences between developed and developing countries in ECDC matters in the context of international cooperation, and its capacity to service *ad hoc* requests.

Chapter I

ENLARGING AND DEEPENING MONETARY, FINANCIAL AND INVESTMENT COOPERATION AMONG DEVELOPING COUNTRIES AND PROMOTING COOPERATION OF THE ENTERPRISE SECTORS OF DEVELOPING COUNTRIES

(Agenda item 3)

EVALUATION OF MAJOR DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, INCLUDING IMPLICATIONS OF THE URUGUAY ROUND RESULTS ON ECDC ARRANGEMENTS AND REGULAR CONSULTATIONS, TECHNICAL SUPPORT, ASSISTANCE AND SKILL DEVELOPMENT

(Agenda item 4)

REVIEW OF THE WORK PROGRAMME OF THE STANDING COMMITTEE, WITH SPECIAL EMPHASIS ON THE PREPARATIONS FOR UNCTAD IX

(Agenda item 5)

10. For its consideration of this item, the Standing Committee had before it the following documentation:

"Enlarging and deepening monetary, financial and investment cooperation among developing countries and promoting cooperation of the enterprise sectors of developing countries: report by the UNCTAD secretariat" (TD/B/CN.3/13) (agenda item 3);

"Evaluation of major developments in the area of economic cooperation among developing countries, including implications of the Uruguay Round results on ECDC arrangements and regular consultations, technical support, assistance and skill development: report by the UNCTAD secretariat" (TD/B/CN.3/14) (agenda item 4);

"Review of the work programme of the Standing Committee on ECDC, with special emphasis on the preparations for UNCTAD IX: report by the UNCTAD secretariat" (TD/B/CN.3/15) (agenda item 5).

11. Introducing the items, the **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** said that cooperation among developing countries was becoming more open and flexible. Under agenda item 3, document TD/B/CN.3/13 analysed and made recommendations on enlarging and deepening monetary, financial and investment cooperation and promoting cooperation among enterprises. Under agenda item 4, the main thrust of document TD/B/CN.3/14 was that an exchange of experiences, sharing of expertise and frequent communication and consultation among developing countries was valuable in enabling countries to draw lessons and make recommendations for strengthening ECDC. In this respect, UNCTAD was the only organization of the United Nations system with an explicit mandate and an intergovernmental mechanism for ECDC. On agenda item 5, there were three key issues. Firstly, UNCTAD's work should involve global and interregional aspects; secondly, the extension of technical assistance projects and mobilization of resources in areas of ECDC where UNCTAD had accumulated expertise should be given priority; and thirdly, UNCTAD would be a suitable place to examine and discuss the rise of mixed groupings, *ad hoc* arrangements and the impact of the Uruguay Round results on ECDC.

12. The representative of **Japan** said that his Government recognized the increasing importance of South-South cooperation, as clearly expressed by its Foreign Minister at the General Assembly in September 1994 and its representatives at the Working Group meetings on "An Agenda for Development" at the recent High-level Committee on Technical Cooperation among Developing Countries. His Government was aware of the emerging diversity among developing countries regarding their levels of development and growth. Although many of them still faced the problems of poverty, stagnant economies and current account deficits, some, especially in South-East Asia and Latin America, were enjoying economic growth. Japan, therefore advocated a "differentiated approach", by which donors could extend cooperation appropriately tailored to the diversified stages of development and the specific needs of individual developing countries, and it intended to expand its development assistance on those lines. It was increasingly important for the advanced developing countries to share the experiences of their recent successes with other developing countries to supplement the efforts made by the traditional donors; some developing countries had started giving assistance to others, and donors should encourage such initiatives. His Government was advocating this approach not in order to replace the assistance of donors with that of advanced developing countries, nor to politically divide developing countries into separate groupings, but rather from the conviction that future development

strategy should be pursued on the basis of a correct and realistic recognition of the current situation of individual developing countries.

13. In pursuit of the so-called "triangular cooperation" between relatively advanced developing countries, other developing countries and traditional donors, Japan had, for example, organized the International Conference on African Development in Tokyo in October 1993, as well as seminars and workshops, with the aim of sharing the experiences of South-East Asian countries with African countries. Such an approach could often be more responsive and precisely tailored to the development needs of the countries concerned than programmes managed solely by developed countries, as it reflected regional characteristics and reduced language problems and travel costs. Japan also promoted South-South cooperation through international organizations such as UNDP, the Colombo Plan, the Asian Productivity Organization, the Southeast Asian Fisheries Development Center, and the Asian Institute of Technology.

14. He reiterated his Government's intention to continue its cooperation through an approach whereby donors and recipients could build constructive partnerships based on realistic recognition of the current state of development. He earnestly hoped that the promotion of South-South cooperation in UNCTAD would be pursued on that basis.

15. The representative of **China** said that the documentation prepared by the UNCTAD secretariat was useful in helping to understand ECDC issues. The developing countries were attaching increasing importance to South-South cooperation following the end of the Uruguay Round. On the one hand, the results of the Uruguay Round offered new opportunities, while on the other they posed new challenges to developing countries.

16. Although developing countries had been progressing, they had embarked late on an independent process of development, and they were confronted with serious difficulties. Developed countries were expected to contribute to that process with expertise and the necessary assistance, and although the main responsibility for development lay with the developing countries themselves, given the interdependence of all countries, partnerships must be built up between developed and developing countries.

17. The ECDC framework was a useful mechanism which should be maintained and improved upon. The present support for ECDC was far from sufficient, and developed

countries should do more to support the process in future. He appreciated the work done by UNCTAD, which was uniquely placed to provide more support for ECDC.

18. Finally, China was providing active support for ECDC, and as in the past it would continue striving to cooperate with other developing countries.

19. The representative of **France**, speaking on behalf of the **European Union**, noted the growing importance of ECDC in world trade and in international economic relations. This was reflected in the contribution which the developing countries had made to the growth of the world economy and the increasing share of South-South trade in world trade.

20. The results obtained by Asian and Latin American countries confirmed the complementarity of their economies and the progress of their regional integration. A similar course could also be followed by the African countries, although in their case the road would be long.

21. The conclusion of the Uruguay Round should provide a powerful stimulus for ECDC, since the implementation of the Round's results and their follow-up called for greater regional integration among developing countries, leading to both improved economic efficiency and stronger negotiating capacities.

22. The European Union was making a substantial contribution to ECDC, particularly in the framework of the Lomé Conventions. The Development Assistance Committee (DAC) of OECD had identified the advantages of ECDC, for example the more efficient exploitation of regional potentials due to the reduction of trade barriers, increased complementarities, more investment inflows, a greater capacity to absorb external shocks, and better dispute settlement mechanisms. The DAC supported the idea of incorporating regional dimensions into development assistance policies.

23. Although South-South cooperation had been a goal for developing countries for around four decades, the concrete results had not yet come up to the initial expectations, and a great deal remained to be done to achieve the "open and flexible" ECDC referred to by the secretariat. It was therefore important to find the best way in which UNCTAD could help ECDC to fulfil its potential. In that connection, it must be asked whether a specialized intergovernmental body represented the best means of promoting ECDC and whether it would not be preferable to include an ECDC dimension in the deliberations on each substantive item and

topic discussed in UNCTAD. Specific needs could be dealt with at *ad hoc* meetings convened by the Trade and Development Board with precise and limited agendas and attended by real experts. In any case, UNCTAD should concentrate on the interregional aspects of ECDC, thereby also giving a greater role to the regional commissions.

24. The representative of the **Food and Agriculture Organization of the United Nations** (FAO) said that economic cooperation and technical cooperation among developing countries, which were complementary and mutually reinforcing, were the priority means of action in FAO's activities. FAO had collaborated with interregional, regional and subregional groupings, Governments of developing countries, regional commissions, networks and other collaborative mechanisms in supporting and implementing a whole range of ECDC/TCDC activities in the fields of FAO's competence, such as regional and subregional agricultural development strategies and policies, intercountry food security arrangements, agricultural trade, nutrition, quality control and food safety, capacity-building and management, training and institutional networking.

25. The spokesman for the **Group of 77** (Colombia) noted the importance of the third session of the Standing Committee in the context of preparations for UNCTAD IX, where the future of ECDC work in UNCTAD would be decided. He expressed the Group of 77's strong wish to produce substantive results at the session, paving the way for cooperative political agreements in the future and confirming UNCTAD as the mainstay for ECDC activities in the United Nations system.

26. On items 3 and 4 of the agenda, the Group of 77 hoped that agreed conclusions could be reached on a number of issues. The first related to measures to increase the availability of trade finance to developing countries, such as the multilateralization of reciprocal credit agreements, enhancing UNCTAD's capacity to deliver technical assistance in trade financing, and promoting its cooperation with regional development banks. The second concerned support for UNCTAD's work on capital market cooperation and investment facilitation. The third related to the encouragement of UNCTAD's activities on multilateral clearing and payments arrangements and its support to their Multilateral Coordinating Committee. The fourth related to measures to encourage the business sector's participation in UNCTAD's work and the organization of meetings aiming at increased business cooperation. In that context, the role of trade points and data networks among developing countries should be emphasized, along with business meetings among Chambers of Commerce and other professional bodies. Other major activities

concerned the provision of assistance to developing countries in assessing the implications of the Uruguay Round and the Regular Consultations.

27. The Group of 77 wished to take a number of points into consideration when reporting to the Trade and Development Board on the work done since Cartagena. The first was the continued need to have UNCTAD as the focal point of the United Nations system on ECDC. UNCTAD's work on ECDC was unique, and the global dimension of UNCTAD, its involvement in interregional matters and its capacity to draw upon a wide range of comparative experiences should be mobilized in the service of ECDC. Finally, UNCTAD had acquired a comparative advantage and accumulated experience in certain fields such as money, finance, trade and investment and its trade and technical assistance benefited from this. In line with paragraph 79 of the Cartagena Commitment, the Standing Committee should report to the Trade and Development Board on the evaluation of its activities without prejudice to the existing institutional structure, as institutional matters fell under the sole authority of the Conference.

28. The Group of 77 regarded the ECDC work programme and the related machinery as a vital part of international development cooperation. UNCTAD should continue to have a key role in that respect and remain the mainstay of ECDC work within the United Nations system.

29. The spokesman for the **Asian Group** (Islamic Republic of Iran) recalled that the Standing Committee, as mandated by the Cartagena Commitment, was a forum for securing the integration of developing countries into the global economy, and the areas identified as proposed future orientations of the work programme on ECDC in document TD/B/CN.3/15 were indispensable components of any individual or group approach to development. It was true, however, that there was some overlapping between the discussions in the Standing Committee on ECDC and other committees and *ad hoc* working groups.

30. With regard to the integration of the enterprise sector into the ECDC process, there remained many fundamental problems which might keep developing-country enterprises at bay, with their activities restrained by controls, non-transparent rules and non-tariff barriers. Priority should be given to investment and joint ventures, which, if they materialized, could generate great potential and create multiplier effects in developing countries in terms of generating wealth and dynamism.

31. Concerning the basic orientation of ECDC, while it was true that trade among developing countries had undoubted advantages, regional cooperation should not be introverted. As argued in the secretariat's documentation, ECDC should also be outward-looking.

32. With regard to the handicaps faced in the integration process, most groupings, especially those in the primary stage of their development (for example ASEAN in the 1960s or the LDCs and the transition economies in the 1990s) lacked purchasing power, as well as a solid financial and trade structure that could be used to stimulate and foster a pattern of well focused and self-sustaining activities that would shape group cooperation and growth.

33. He emphasized the important role of capital and technological know-how in achieving any surge of trading activities in developing countries' cooperation frameworks. Some integration efforts were stalemated, since commodities and raw materials represented the bulk of the exports of the countries concerned, and the final destinations for a large portion of their exports therefore continued to be developed countries with large-scale processing capacities.

34. This North-South characteristic of trade represented a challenge in terms of integrating developing countries into the increasingly globalized and liberalized world economy. The Standing Committee should determine prospects and identify programmes and guidelines for their implementation, while the ECDC actors should come up with viable projects that would attract donor countries. Finally, the ECDC processes should be reoriented with a view to linking, networking, and channelling the real domestic potential of developing countries in the context of the global economy. This would require greater interaction between ECDC efforts and the dominant players in global trade and the further orientation of multilateral disciplines towards development.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

35. The third session of the Standing Committee on Economic Cooperation among Developing Countries was opened on 19 June 1995 at the Palais des Nations, Geneva, by Mr. B. Alipour (Islamic Republic of Iran), Vice-Chairman of the Standing Committee at its second session.

B. Election of officers

(Agenda item 1)

36. At its 9th (opening) plenary meeting, on Monday, 19 June 1995, the Standing Committee elected the officers for its third session, as follows:

Chairman:	Mr. B.P. Lacoul (Nepal)
Vice-Chairmen:	Mr. I. Kinnas (Greece)
	Mr. M. Mangachi (United Republic of Tanzania)
	Mr. C. Amorin (Uruguay)
	Mr. W. Prodjowarsito (Indonesia)
	Mr. V. Skliarov (Russian Federation)
Rapporteur:	Mr. M. Nishioka (Japan)

C. Adoption of the agenda and organization of work

(Agenda item 2)

37. Also at the opening plenary meeting of its third session, the Standing Committee adopted the provisional agenda for the session (TD/B/CN.3/12). The agenda was thus as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Enlarging and deepening monetary, financial and investment cooperation among developing countries and promoting cooperation of the enterprise sectors of developing countries

4. Evaluation of major developments in the area of economic cooperation among developing countries, including implications of the Uruguay Round results on ECDC arrangements and regular consultations, technical support, assistance and skill development

5. Review of the work programme of the Standing Committee, with special emphasis on the preparations for UNCTAD IX

6. Other business

7. Adoption of the report of the Standing Committee to the Trade and Development Board

D. Other business

(Agenda item 6)

[To be completed as appropriate]

E. Adoption of the report of the Standing Committee to the Trade and Development Board

(Agenda item 7)

[To be completed]